



Community Financial Center

MY Path: An Innovative Initiative to Increase Financial Capability Among Economically Vulnerable Youth

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Mission SF Community Financial Center's (Mission SF) Make Your Path (MY Path) initiative is a comprehensive suite of financial services targeting participants of various youth employment and youth development programs who are earning their first paychecks. Such programs typically target youth that are economically vulnerable and that have limited access and exposure to the financial mainstream.

MY Path is an innovative savings program designed to promote youth development and financial capability among low-income youth from unbanked and under-banked households. Using a hands-on, experiential approach, with an emphasis on peer learning and support, the program helps youth develop healthy financial habits and behaviors. It also provides services for adult program staff, as most program staff need financial education and support themselves to effectively support youth participants and model desired financial behaviors.

The goal of MY Path is to ensure that youth transition into adulthood as financially capable young adults. Financial capability encompasses both the ability to act (knowledge, skills, etc) and the opportunity to act (through access and engagement with the financial markets) (Sherraden, 2010). In addition, it involves multiple aspects of behaviors relating to how financial decisions are made and how financial resources are managed (FINRA, 2009; Sledge, Tescher, & Gordon, 2010).

MY Path's design draws upon Mission SF's experience providing youth-centered financial education and accounts to hundreds of youth over the course of the last decade. It is further guided by the latest research and embraces the promising

practices in youth development and financial education in its design.

While the studies on the outcomes of financial education programs have been mixed, programs that have been found to be effective are those which are targeted and narrowly focused (Klinge, Harper, & Vaziri, 1974); that demonstrate relevance, engage participant's motivation, and capitalize on 'teachable' moments (Center for Psychological Studies, n.d.); that engage participants with real-world financial products and services (Land & Russell, 1996); and that leverage incentives and behavioral economics principles (Hernandez, 2011).

In addition, the youth development literature indicate that effective youth development programs provide youth with opportunities for skill building, incorporate practices that support empowerment and the autonomy of youths, and offer youth opportunities to form supportive relationships and to belong (Committee on Community-Level Programs for Youth, 2002).

Mission SF has incorporated these elements into MY Path's design and delivery. This research brief reports on the early findings of the effectiveness of MY Path in increasing the financial capability of youth participants.

Key Features of MY Path

Key features of the six-month MY Path include:

- Three 90-minute financial education sessions developed and delivered by peers;
- The use of social media to relay content and to establish peer accountability and support;

- An opportunity for youth to engage with a mainstream financial institution and open savings accounts;
- Incorporation of behavioral economics principles, such as automatic deposits and the use of incentives such as savings matches and prizes to encourage savings.

The MY Path initiative is guided by the following principles in its development:

1. Timely, Relevant & Targeted Intervention for Youth Workers

MY Path specifically focuses on equipping and empowering youth participants of various youth development and youth employment programs. These youth are earning pay checks for the very first time and MY Path capitalizes on this teachable moment by imparting timely and relevant budgeting, goal setting, and money management skills to prepare youth to manage their new income stream wisely.

In order to maximize the program's relevance for youth, the MY Path financial education curriculum is developed by youth to ensure that their most pertinent needs are addressed, and the workshops are delivered by youth that have received training. Peer-based models for financial education are promising (DeMarco, Mills, & Ciurea, 2008; Jackson, Sher, & Wood, 2000) as peer influences are important factors in the development of positive financial behaviors among the young (Committee on Community-Level Programs for Youth, 2002; Graubard & Korn, 1996).

2. Engagement with Mainstream Financial Products and Services

MY Path also engages youth with mainstream financial products to help develop savings habits and prevent the use of costly alternative financial services. Youth open savings accounts in their

own names as part of the initiative, connecting them to the financial mainstream and getting them 'banked.' In addition, youth have the opportunity to roll-over their savings into Certificates of Deposits and other financial products at the end of the initiative. The accounts also provide youth the opportunity to manage their accounts in a real-world setting, putting into practice the concepts learned through MY Path. Having the opportunity to access and engage the financial mainstream is a critical component of developing one's financial capabilities (Jacob, Hudson, & Bush, 2000) and financial education programs that engage participants with real-world products and applications are recognized as being promising (Land & Russell, 1996).

3. Leveraging Behavioral Economics Principles

Numerous behavioral economics principles undergird MY Path's design. Research into behavioral economics found that promising programs tend to have minimal barriers, have deliberate use of reasonable defaults, and incorporate meaningful incentives to encourage desired behaviors.

i. Minimal barriers for account set-up

MY Path removes or minimizes any factors that participants may perceive as 'hassles' in the account set-up process. For example, the paperwork for opening a savings account is simplified and included in the application package for the youth employment program. In addition, parents are not required to co-sign the accounts. The accounts are also endowed with the minimum deposits needed to open the accounts. Youth therefore need not visit the financial institution and stand in line, or come up with the minimum deposits, to open their accounts.

ii. *Automatic payroll deductions and direct-deposits into savings account*

Youth develop a personal short- to medium-term savings goal at the beginning of MY Path. To facilitate the achievement of their savings goals, youth establish direct-deposit instructions for a fixed (or default) amount of their pay to be automatically deposited into their savings account every pay period. Youth are also given the option to vary the deposit amounts by completing a very simple and short form.

iii. *Incentives*

To kick start savings, youth are provided a 2-to-1 savings match for the first \$30 saved in the first half of the initiative. In addition, youth who meet their savings goal have a chance to win prizes. The site prize is awarded to the program site that is most engaged in the training and in savings, while the grand prize is an individual award. Prize-linked savings have been found to encourage savings across different low- and moderate-income individuals (Kearney, Tufano, Guryan, & Hurst, 2010; Tufano, 2008).

4. Drawing on Youth Development Research for Positive Development

Promising youth development programs provide youth with opportunities for skill building, incorporate practices that support empowerment and the autonomy of youth, and offer youth opportunities to form supportive relationships and to belong (Committee on Community-Level Programs for Youth, 2002). MY Path's design incorporates these key elements. Being peer developed and delivered, MY Path provides youth with the opportunity to exercise autonomy and be empowered with various leadership and communication skills in the development and delivery of the financial education curriculum. Youth also exercise autonomy when they set their own personal savings goal amount and purpose, unlike other youth programs where the goals and

purposes are pre-determined. In addition, through the use of social media and group-based activities and contests, youth participants build supportive relationships with each other and provide accountability for meeting their goals.

MY Path Pilot

In 2011-12, Mission SF tested MY Path by delivering its suite of services to participants in San Francisco's largest youth employment program, the Mayor's Youth Employment and Education Program (MYEEP). MYEEP provides leadership and employment training to 9th and 10th graders and links them with supported job placements in non-profit organizations, for-profit businesses, and the public sector. MYEEP training and support is delivered through ten community-based MYEEP sites across the city. MYEEP targets low-income youth and youth facing particular barriers to employment.

Participants

The sample for this study consists of 280 youth who participated in MYEEP from October 2011 to April 2012. Of this sample, 31% lived in households with annual incomes of \$10,000 or less and 49% came from households with annual incomes between \$10,001 and \$30,000. In addition, over 86% of youths were from households that had annual incomes below half of San Francisco's median household income of \$71,304 (U.S. Census Bureau, n.d.). In terms of public benefits, over 58% of youth came from households that were receiving some form of government assistance, such as TANF or MediCal.

The ages of participants ranged from 14 to 18 years, with the mean age being approximately 15 years old. Approximately 94% of participants were in the 9th or 10th grade when they enrolled in the program. The majority of participants were Asians (50%), while 32% were African Americans, 9% Hispanic, and another 9% identified themselves as

being multiracial or others (White, Arab, Pacific Islander). In terms of gender, approximately 59% of participants were female.

Around 60% of respondents indicated that they did not have any savings account, and 76% had not received any financial education or budgeting classes before.

Methods

Participants' financial attitudes and behaviors were surveyed at the beginning of the MY Path initiative and again at the end, using structured self-administered questionnaires. In addition, participants' financial knowledge was assessed using pre- and post-workshop self-administered evaluation forms. Administrative data were also used to track participants' socio-demographic information, as well as information on savings and asset accumulation. As the savings data was collected based on administrative rather than actual account transactional data, data on possible withdrawals as well as potential additional deposits were not captured.

Results

Appropriateness of Financial Workshops to Targeted Youth

The appropriateness of the financial education was assessed by three variables, viz., the extent to which youth found the various workshops to be relevant, to be interesting, and the extent to which they felt they learned from the workshops. Overall, respondents found the financial education workshops to be very appropriate, with workshops having between 93% and 99% of respondents reporting that they were somewhat to very relevant; between 90% to 98% finding the various workshops to be somewhat to very interesting; and between 96% and 99% of respondents reporting that they learned a little to a lot from the workshops.

Averaging the three measures of relevance, interest and learning, the workshops on the benefits of savings (98.5%) and on budgeting (98.1%) had the highest ratings, followed by the workshop on goal setting (97.4%). On the other hand, the workshops on the different types of financial products and services and on power of compound interest had the lowest ratings, albeit still rated as highly appropriate, at 93.6% respectively.

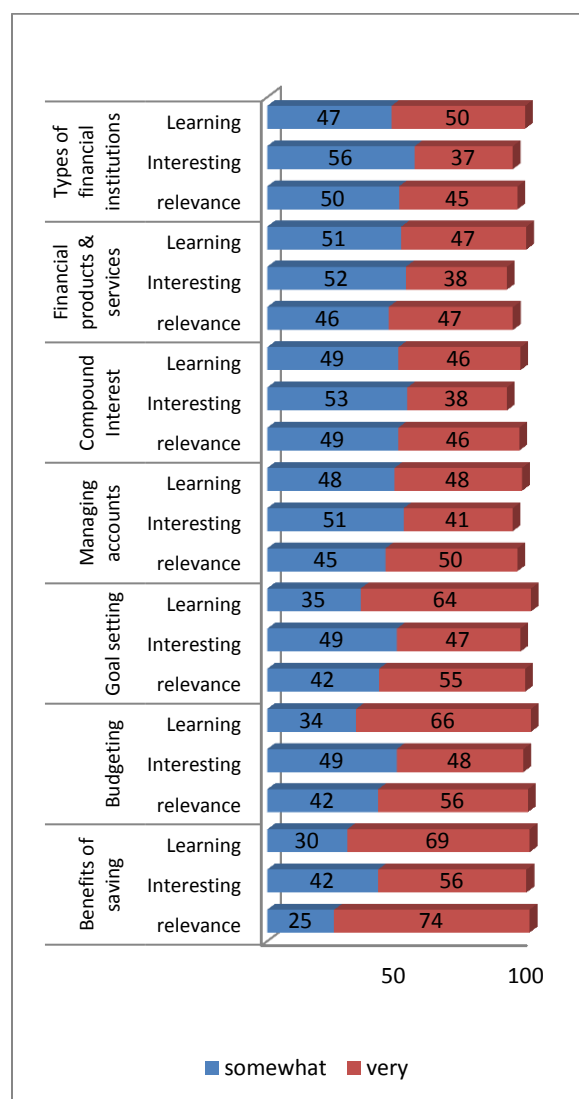
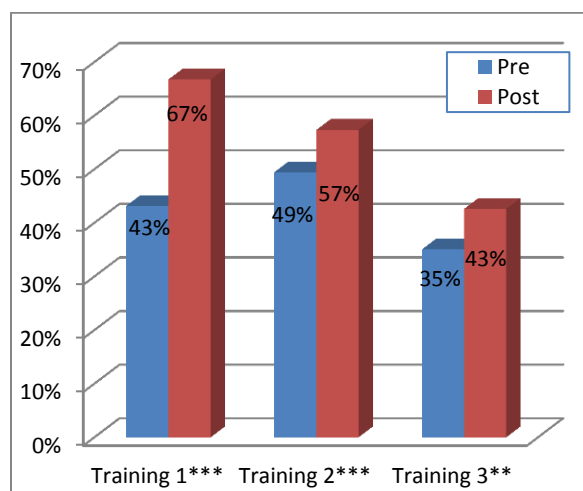


Figure 1. Proportion of Participants Reporting Appropriateness of Financial Education by Workshop

Financial Knowledge

Youth in MY Path also experienced increases in their financial knowledge as a result of the workshops. Data from the pre- and post-workshop assessments indicate significant increases in the number of items that respondents were able to correctly answer at the end of each workshop. The most significant gains were seen for the first training session which focused on financial goal setting and budgeting, with a 24 percentage point improvement ($t = 14.72, p < .001$). In addition, there was an 8 percentage point improvement in the percent of correct answers for training session 2 ($t = 6.05, p < .001$), which focused on the benefits of savings, account management, and the power of compound interest; and for training session 3 ($t = 3.26, p < .01$) that covered the different types of financial institutions, products and services. Nevertheless, while the data indicated a significant increase in financial knowledge as a result of the financial education workshops, the results also suggest that there is room for improvement, in particular for training session 3 where respondents were able to answer fewer than half of the items correctly (see Figure 2).



Notes: *** $p < .001$; ** $p < .01$

Figure 2. Increase in Financial Knowledge by Training Session

Financial Attitudes and Self Efficacy

Participants in MY Path expressed a high level of confidence in their ability to effectively carry out a variety of financial tasks at the end of the initiative. Some 96% of respondents reported that they were somewhat to very sure that they could effectively save their money at the end of the initiative. On the other hand, 80% of respondents expressed that they felt somewhat to very sure that they could effectively use credit in the future (See Figure 3).

Youth also somewhat agree to strongly agree to the statement that they felt confident about making decisions that deal with money at the end of the initiative, a significant improvement from their status at the start of MY Path ($t = 5.23, p < .001$). They also experienced a significant increase in the level of agreement with the statement that they felt comfortable doing business with a bank or credit union ($t = 3.7, p < .001$), somewhat to strongly agreeing with the statement at the end of the program. In addition, youth also somewhat to strongly agree with the statement that “most everyone can find at least one easy way to save” at the end of the program, a significant increase from their pre-program status ($t = 3.5, p < .01$). Lastly, youth also somewhat to strongly agree that they are in control of their money, again, significantly higher than their pre-program status ($t = 2.02, p < .05$).

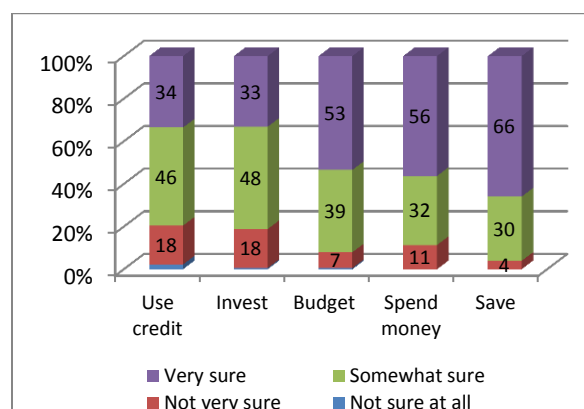


Figure 3. Confidence in effectively carrying out financial tasks

Financial Behaviors

Respondents reported significant increases in the frequency to which they practiced positive financial behaviors as a result of MY Path. Prior to MY Path, youth reported that they generally seldom use a budget, track their spending, differentiate between needs and wants, and save. However, at the end of the program, youth reported that they now often practice these behaviors. The frequency with which youth reported these positive financial behaviors was significantly higher after completing MY Path, relative to prior to the program, ($p < .001$) for all four behaviors listed in Figure 4. In addition, youth reported a significant increase in their level of agreement with the statement that they “have financial goals that they are working towards” at the end of the program compared to before the program started ($t = 2.71, p < .05$).

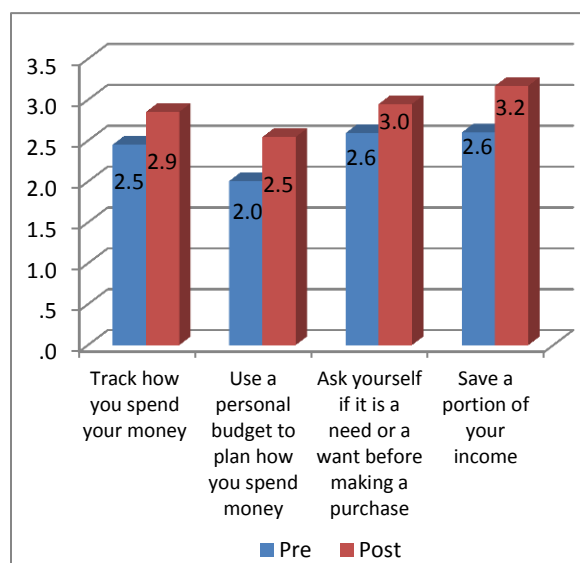


Figure 4. Frequencies of Positive Financial Behaviors

Satisfaction

Youth satisfaction with the MY Path program was assessed by asking whether they would participate in the program again, and whether they would recommend that MY Path continues to be offered to youth employment and development programs. The results indicate that youth have a high level of

satisfaction with MY Path. About 91% of respondents expressed that they would participate (probably and yes) in MY Path again in the future, and 97% recommended that MY Path continues to be part of the youth employment and development program that they were part of in the future (see Figure 5).

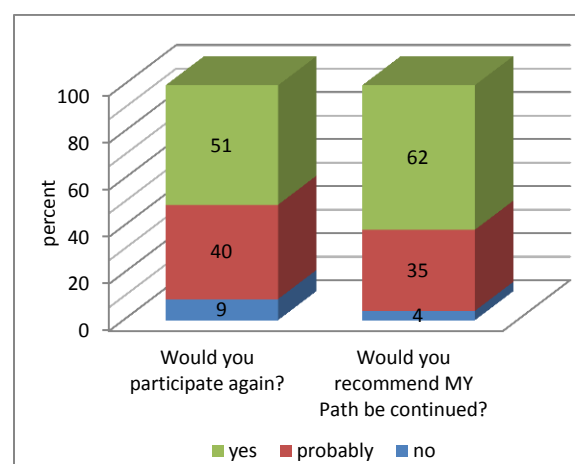


Figure 5. Satisfaction with MY Path

Account ownership and savings

Every MY Path participant had a savings account opened in their name as part of the model. In total, 280 savings accounts were opened. For 60% of these youth, this account was the first they owned.

At the end of the 6-month period, a total of \$181,500 had been accumulated in the savings accounts of the 247 youth who remained in MYEEP. On average, each youth had accumulated \$735, and saved \$507 net of savings matches and the initial deposit. In comparison, participants in the Saving for Education, Entrepreneurship, and Downpayment (SEED) initiative saved on average \$60 over a 6-month period (Mason, Nam, Clancy, Kim, & Loke, 2010; Mason, Nam, Clancy, Loke, & Kim, 2009).

Youth also saved 86% of their goal, on average. Additionally, 46% of youth fully met their savings goal, while another 3 in 10 youth attained between 80% and 99% of their goal.

Many of the youth reported that they were saving by themselves for the first time as a result of MY Path. In addition, youth were truly surprised by the amounts they had saved by the end of the initiative. And even for those youth who saved less than others, or didn't save, they reported that their sense of disappointment in themselves had left them feeling committed to making smarter financial decisions to save in the future.

Discussion

MY Path demonstrates that a short-term and targeted financial education program can be effective in increasing the financial capabilities of vulnerable youth and helping them establish good financial practices as they enter adulthood. Through this initiative, youth experienced significant increases in their financial knowledge and financial self-efficacy, practiced significantly more positive financial behaviors, and saved an impressive \$507 each on average in just six short months. In addition, youth expressed significantly greater confidence in their ability to interact with financial institutions, products and services at the end of the program.

The positive outcomes of MY Path could be attributed to a few factors. First, the financial content was highly relevant to participants' life situation. It had been developed by other youth who had participated in earlier versions of the program, which ensured that the immediate needs of participants were addressed. Second, the workshops were delivered by youth rather than adult trainers, which increased the level of youth engagement. Feedback gathered from focus groups indicated that participants were able to relate better to the peer trainers who were having the same life experiences. In addition, the peer trainers also served as role models for the participants. Third, the financial content had been customized and delivered at the 'teachable moment' when youth were receiving their first paychecks and managing income for the first time. In addition, MY Path connected participants to a

savings account from a mainstream financial institution. This provided them the ability to not just learn financial concepts in the abstract, but to immediately apply what they learned to real life settings, including managing mainstream financial products and services.

MY Path also leveraged on behavioral economics principles to nudge participants to develop positive financial practices. In the first half of MY Path, a 2-to-1 savings match for the first \$30 saved each month was provided to spur participants to start saving. Participants were unanimous in stating that this savings match was the biggest factor in encouraging them to start saving.

Other aspects of MY Path's design and its delivery within the MYEEP setting also played a role in encouraging saving. At the beginning of the initiative, MY Path participants established savings contracts and standing instructions for a portion of their pay to be automatically deposited into their savings account. In addition, there was peer accountability and support throughout the program. These features were also credited by participants for enabling them to stay the course in working towards their savings goal.

Conclusion

MY Path is a promising and effective model for increasing the financial capabilities and assets of low-income minority youths participating in youth employment programs. Through MY Path, almost every youth in the program had a savings account opened and for 60% of these youth, this was their first savings account. Many reported that the program helped them save for the first time and that MY Path participation had been transformational. For example, setting and meeting short-term financial goals was a powerful personal and financial experience for participants. In the words of a participant on why she was saving for a Macbook Pro:

“Because well I really, really hate coming to school at 7 in the morning just to type up something or research something, and my teachers are always like ‘Well why didn’t you do that at the library?’ I don’t want to go to the library. I’d rather have my own personal computer... (I like) the fact of just like achieving it, like having my own personal computer.”

MY Path makes a difference in youth participants’ financial and personal development trajectories. It is a highly promising model and additional research is warranted to explore its scalability across youth employment and youth development programs.

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About Mission SF Community Financial Center

Mission SF Community Financial Center (“Mission SF”) is a nationally-recognized San Francisco-based non-profit that creates, tests and scales financial products and services that promote financial security and catalyze economic mobility for low-income, low-wealth people. Mission SF employs three core activities: (1) Delivering relevant financial education and counseling paired with appropriate saving and credit-building products in targeted settings; and (2) Improving access to quality financial services through new product innovation and advocacy; and (3) Building the field by gathering and sharing outcomes data, lessons and best practices.

MY Path Supporters

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